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E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. MOROCCO VIEWS SOVIET APPROACH AS EVENHANDED

MOROCCAN PRIME MINISTER OSMAN HAS TOLD EMBASSY RABAT HE IS
CONVINCED THAT SOVIET LEADERS PLAN AN EVENHANDED APPROACH TO
THE SAHARA DISPUTE. ACCORDING TO THE EMBASSY:

--THE SOVIETS STRESSED IN CONVERSATIONS WITH OSMAN
THAT, THEY DO NOT WANT WAR IN NORTH AFRICA, AND PRESSED
FOR MOROCCAN INITIATIVES TO HELP ALGERIA SAVE FACE.

--A MOROCCAN COMMUNIST LEADER REPORTS THAT MOSCOW HAS
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INFORMED ALGIERS IN UNMISTAKABLE TERMS NOT TO COUNT ON

SOVIET SUPPORT IN THE EVENT OF HOSTILITIES.

PARTIALLY IN RESPONSE TO PROFESSED SOVIET DESIRES TO SEE A REDUCTION OF TENSION IN THE SAHARA, MOROCCO RESTORED RELATIONS ON MARCH 5 WITH THE GERMAN DEMOCRATIC REPUBLIC. THE IMPLIED QUID PRO QUO FOR THE REESTABLISHMENT OF RELATIONS WAS THE REFUSAL OF THE GDR TO RECOGNIZE THE ALGERIAN-SPONSORED SAHARAN DEMOCRATIC ARAB REPUBLIC. IN OTHER DEVELOPMENTS:

--THE MOROCCAN CHARGE IN ALGIERS TOLD OUR EMBASSY THAT HE EXPECTS MOROCCO AND ALGERIA TO MAINTAIN EXISTING CONSULAR REPRESENTATION DESPITE THE DIPLOMATIC BREAK.

--THE SAHARAN DEMOCRATIC ARAB REPUBLIC WILL SEEK ADMISSION TO THE ARAB LEAGUE, THE UN AND THE OAU, ACCORDING TO THE ALGERIAN PRESS. (LIMITED OFFICIAL USE) ALGIERS 625; (CONFIDENTIAL) ALGIERS 629 AND RABAT 1300 AND 1304, 3/8.)

2. EC PRESIDENT EXPOUNDS ON A "REDDER" ITALY

IN A SUPPOSEDLY OFF-THE-RECORD PRESS INTERVIEW WHICH SURFACED IN MILAN, EC PRESIDENT ORTOLI DISCUSSED PROBLEMS WHICH MIGHT ARISE SHOULD THE ITALIAN COMMUNIST PARTY (PCI) JOIN THE GOVERNMENT. CALLING THE PRESENT PCI A UNIQUE CROSS BETWEEN SOCIAL DEMOCRACY AND MARXISM-LENINISM, ORTOLI ALSO WARNED THAT COMMUNIST ENTRY INTO THE GOVERNMENT THROUGH FREE ELECTIONS ENTAILS MANY RISKS. HE PREDICTED THAT PCI PARTICIPATION WOULD:

--DAMAGE THE POLITICAL EVOLUTION OF EUROPE;

--INCREASE BILATERAL RELATIONS BETWEEN MEMBER STATES AND THE US TO THE DETRIMENT OF EC COHESION;

--ENCOURAGE TIMIDITY IN ITALIAN POLICIES;

--LIMIT THE ECONOMIC EFFORTS OF THE RICH COUNTRIES.

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EMBASSY COMMENT: ORTOLI FEARED HIS COMMENTS MIGHT BE INTERPRETED AS AN ENDORSEMENT OF PCI PARTICIPATION IN THE GOVERNMENT. WE DOUBT THE COMMUNISTS COULD DRAW MUCH COMFORT FROM THE VIEW THAT PCI PARTICIPATION WOULD CREATE CRITICAL PROBLEMS FOR THE FUTURE OF THE EC. ON BALANCE, ORTOLI'S VIEWS STRIKE US AS HELPFUL. (LIMITED OFFICIAL USE) BRUSSELS 2341 AND (UNCLASSIFIED BRUSSELS 2338, 3/8.)

3. ARGENTINA: FINANCIAL SITUATION CRITICAL AGAIN

AS ARGENTINA'S CENTRAL BANK PRESIDENT ZALDUENDO PROCEEDS TO WASHINGTON WITH THE GOVERNMENT'S NEW ECONOMIC PROGRAM IN HAND, EMBASSY BUENOS AIRES OFFERS A BLEAK EVALUATION OF THE COUNTRY'S BALANCE OF PAYMENTS AND EXTERNAL FINANCIAL SITUATION:

--ARGENTINA FACES AN IMMEDIATE PAYMENTS CRISIS.

--EXTERNAL RESERVES ARE DEPLETED AND AN EXTERNAL DEBT MORATORIUM PROBABLY IS IN THE OFFING.

--ALTHOUGH TRADE AND CURRENT ACCOUNTS HAVE IMPROVED, IT WILL BE DIFFICULT TO ARRANGE FINANCING FOR THE \$1 BILLION TO MEET IMPORT AND AMORTIZATION PAYMENTS.

EMBASSY COMMENT: THE GOVERNMENT'S ECONOMIC PROGRAM IS REALISTIC, QUITE SEVERE, AND THE MOST THAT COULD BE EXPECTED NOW, BUT PROSPECTS FOR EFFECTIVE IMPLEMENTATION REMAIN UNCERTAIN. IF ASKED FOR ASSISTANCE, THE USG SHOULD REMAIN SYMPATHETIC BUT AVOID INVOLVEMENT AT THIS TIME. (CONFIDENTIAL) BUENOS AIRES 1553, 3/8.)

4. COLOMBIA: SOVIETS ANXIOUS TO DO BUSINESS

EMBASSY BOGOTA REPORTS THAT THE SOVIET UNION HAS OFFERED THE COLOMBIAN NAVY UP TO TWELVE OCEAN-GOING MISSILE-ARMED PATROL VESSELS UNDER FAVORABLE CREDIT TERMS. THE COLOMBIANS:

--REPPER US EQUIPMENT ARE ARE RELUCTANT TO OPEN THE DOOR TO MAJOR ITEMS FROM SOVIET SOURCES; BUT
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--WOULD FIND THE FINANCIAL ARRANGEMENTS ALMOST IRRESISTIBLE FROM A FOREIGN EXCHANGE VIEWPOINT BECAUSE THEY WOULD INVOLVE COFFEE CREDITS;

--WILL GET A CUT PRICE FROM THE SOVIETS, WHO ARE EAGER TO GAIN ACCESS TO THE COLOMBIAN MILITARY SUPPLY MARKET.

EMBASSY COMMENT: WE WILL BE WAGING AN UPHILL STRUGGLE, BUT WE SHOULD TRY TO GIVE COLOMBIA A PLAUSIBLE US ALTERNATIVE OFFER. (CONFIDENTIAL) BOGOTA 2457, 3/8.) KISSINGER

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